

Message Text

SECRET

PAGE 01 ALGIER 00837 01 OF 02 021445Z

42

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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O 021400Z APR 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC IMMEDIATE 2201

S E C R E T SECTION 1 OF 2 ALGIERS 0837

EXDIS

E.O. 11652: GDS

TAGS: PFOR, AG, US

SUBJ: MESSAGE TO BOUMEDIENE

REF: (A) STATE 072744; (B) ALGIERS 0822

SUMMARY: BOUMEDIENE BELIEVES TIME HAS COME TO INCLUDE PALESTINIANS IN MIDDLE EAST SETTLEMENT EFFORTS. SEES NO SOLUTION SHORT OF RETURN TO 1967 BORDER AND CREATION OF PALESTINE STATE ON WEST BANK AND GAZA. EXPRESSES WILLINGNESS TO COOPERATE ECONOMICALLY WITH U.S. BUT EMPHASIZES NEED FOR FINANCING. SAYS PRODUCER-CONSUMER CONFERENCE MUST ENLARGE AGENDA AND REPRESENTATION IF IT IS TO LEAD TO ANYTHING.

1. TO OUR SURPRISE, WAS RECEIVED BY PRESIDENT BOUMEDINEE FOR 50 MINUTE TETE-A-TETEEVENING APRIL 1. GAVE HIM ORAL SUMMARY OF MESSAGE IN STATE 072744 AND HANDED HIM AIDE MEMOIRE WHICH DID NOT MENTION CCC CREDITS OR LNG. PARA 6 AND LAST SENTENCE PARA 7 ELIMINATED. STATE 073836 RECEIVED THIS MORNING, AFTER DEED DONE. BOUMEDIENE, WHO RELAXED AND FRIENDLY, COMMENTED AS FOLLOWS:

2. ARAB-ISRAEL

A. DID NOT UNDERSTAND MEANING OF PHRASE "GENERAL REVIEW OF U.S. POLICIES." DID IT MEAN WE WERE GOING TO

SECRET

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PAGE 02 ALGIER 00837 01 OF 02 021445Z

BE MORE BALANCED AND LESS BIASED IN FAVOR OF ISRAEL?

OTHERWISE "REVIEW" MADE NO SENSE.

B. RETURN TO GENEVA, WHICH EGYPTIANS HAD REQUESTED, ALL RIGHT, PROVIDED PALESTINIANS INCLUDED, OTHERWISE IT WOULD BE EXERCISE IN FUTILITY. TIME HAD COME TO START NEGOTIATING WITH PALESTINIANS. MCGOVERN MEETING WITH ARAFAT HAD BEEN EXCELLENT INITIATIVE, AND HE HAD NOTED THAT PEOPLE OF U.S. HAD NOT TRIED LYNCH MCGOVERN FOR IT. USG NEED NOT LOBBY ACTIVELY FOR PALESTINIAN PARTICIPATION AT GENEVA. IT COULD STAND TO ONE SIDE AND SIMPLY NOT AGITATE AGAINST IT. LET SYRIANS TAKE RESPONSIBILITY AND JUST NOT OPPOSE THEM. U.S. POLICY HAD BEEN TOO CENTERED ON EGYPT. SADAT MIGHT BE ABLE TO NEGOTIATE WITHOUT PALESTINIAN APPROVAL, BUT SYRIANS COULD NOT, AND THERE WOULD BE NO SOLUTION WITHOUT SYRIANS. INVITE ANY-ONE ELSE WE WANTED--LEBANESE, JORDANIANS, HE DID NOT CARE, JUST INVITE PALESTINIANS TOO.

C. THERE WOULD BE NO SOLUTION IF ISRAEL DID NOT RETURN TO 1967 BORDERS AND IF PALESTINIANS NOT PERMITTED ESTABLISH STATE ON WEST BANK AND GAZA. I ASKED IF HE THOUGHT PALESINIANS WOULD SETTLE FOR THAT, AND HE SAID IT WAS LEAST THEY WOULD SETTLE FOR. ALGERIA FOR ITS PART WOULD SUPPORT ANYTHING EGYPT, SYRIA AND PALESTINIANS WOULD ACCEPT.

3. ROBINSON FOLLOW-UP.

A. ALGERIANS SINCERELY DESIRED INCREASED ECONOMIC COOPERATION. HE PERSONALLY CONVINCED OF BENEFITS OF OUR TECHNOLOGY. ALGERIA'S POLICIES BASED ON FREE COMPETITION, WITH REASONABLENESS OF PRICES AND TERMS DETERMINING WHICH COUNTRY GOT CONTRACT. THERE WERE MANY PROJECTS IN ALGERIA, SOME OF THEM, SUCH AS THE ENGINE FACTORY AND THE TRUCK PLANT, PERHAPS SO LARGE AS TO REQUIRE INTERNATIONAL CONSORTIUMS TO UNDERTAKE THEM. PROBLEM, HOWEVER, WAS FINANCING (HE HAD BEEN VISIBLY PLEASED WHEN I SAID WE WISHED CONTINUE EX-IM FINANCING). FOUND IT HARD TO BELIEVE USG COULD NOT FIND MONEY AND CERTAIN EX-IM AND PRIVATE AMERICAN COMPANIES IN BETTER POSITIONS THAN
SECRET

SECRET

PAGE 03 ALGIER 00837 01 OF 02 021445Z

ALGERIANS TO RAISE FUNDS. IT PARADOXICAL, BUT ALGERIANS HAD MORE LUCK GETTING MONEY OUT OF U.S. THAN FROM ARAB BROTHERS. ALGERIANS WOULD TRY WITH OTHER OPEC MEMBERS, BUT U.S. MUST ALSO TRY (NOT CLEAR WHETHER HE MEANT WE SHOULD TRY WITH OPEC MEMBERS OR WITH OWN RESOURCES).

B. ALGERIANS HAD HOPED INCREASE SALE OF OIL AND

GAS TO U.S. BUT NOTICED WE FAVORING PRODUCERS WHO WERE NOT BUYING FROM US AS ALGERIANS WERE. EVERY CENT ALGERIANS GOT FROM OIL EXPORTS WENT FOR IMPORTS AND SERVICES SUPPLIED BY COMPANIES LIKE BECHTEL AND WILLIAMS BROTHERS (PIPELINES). SAME NOT TRUE OF OTHER OPEC MEMBERS. ALGERIA SHOULD GET MORE CONSIDERATION.

C. ALGERIANS ALSO NOTED THAT SOME OF THEIR AGREEMENTS WITH AMERICAN COMPANIES NOT BEING HONORED. I ASKED WHAT HE MEANT, AND HE SAID HE REFERRING TO LNG CONTRACTS WHICH BEING HELD UP BY FPC. I TOOK NOTE.

D. HE HOPED EXPAND ECONOMIC RELATIONS WHATEVER PROBLEMS THERE MIGHT BE BETWEEN US. POLITICS MIGHT CHANGE BUT OUR MUTUAL INTERESTS WERE SOLID REALITY WHICH DID NOT CHANGE.

E. ALGERIAN PROPOSAL FOR OPEC FUND, WHICH SHOULD BE OPEN TO ALL (EITHER AS CONTRIBUTORS OR BENEFICIARIES) HAD NOT BEEN ACCEPTED, BUT QUESTION STILL POSED. (IMPLICATION HERE WAS ALGERIANS WOULD LIKE OUR HELP WITH THIS, PRESUMABLE IN FORMS OF URGING CAPITAL SURPLUS COUNTRIES TO PARTICIPATE).

F. HIS FERTILIZER PROPOSAL HAD COME AS SURPRISE TO SOME OF OPEC PARTICIPANTS AND HAD NOT BEEN ACCEPTED. IT WAS STILL UNDER STUDY, HOWEVER, AND HE HOPED SOMETHING WOULD COME OF IT. HE HAD IN MIND TEN OR TWELVE PLANTS WHICH WOULD PRODUCE AND SELL FERTILIZER AT COST UNDER SUPERVISION OF FAO. ALGERIANS HAD DETAILED PROPOSAL AND HE WOULD HAVE A COPY SENT TO ME.

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PAGE 01 ALGIER 00837 02 OF 02 021458Z

42

ACTION SS-25

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O 021400Z APR 75

FM AMEMBASSY ALGIERS

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S E C R E T SECTION 2 OF 2 ALGIERS 0837

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4. PRODUCERS-CONSUMERS CONFERENCE

A. ALGERIANS HOPED PARIS CONFERENCE WOULD BE RESPONSIBLE. ALGERIANS PRODUCED AND EXPORTED PETROLEUM AND WERE READY FOR DIALOGUE ON ENERGY, BUT ENERGY WAS PROBLEM OF PRIMARY IMPORTANCE TO INDUSTRIALIZED COUNTRIES, WHEREAS PROBLEMS OF DEVELOPING COUNTRIES WERE PRIMARILY THOSE OF EQUIPMENT AND TRAINING. ALGERIANS READY TO MEET ANY TIME AND IN ANY FORUM TO DISCUSS PROBLEMS OF WORLD'S ECONOMY, BUT DC'S WERE TURNING BACKS ON LDC PROBLEMS. LIMA HAD BEEN TRYING EXPERIENCE. WORLD DIVIDED INTO DC'S AND LDC'S, WHO CLOSING RANKS AGAINST EACH OTHER. WHY NOT FIND COMMON GROUND BETWEEN TWO SIDES? DC POSITION AT LIMA IMPLIED RENEGING ON DECISIONS OF SIXTH SPECIAL SESSION OF UNGA, WHICH WOULD BE SERIOUS MISTAKE. HISTORY DID NOT GO BACKWARD. MUST GO FORWARD.

B. OPINIONS DIVIDED ON PARIS MEETING. SOME WERE FOR, SOME AGAINST. CONFERENCE AS NOW PROPOSED DID NOT LOOK MUCH DIFFERENT FROM FORMULA ORIGINALLY PROPOSED BY SECRETARY. HE HAD TOLD FRENCH THAT ALGERIANS WERE FOR ANY CONFERENCE WHICH WOULD HELP SOLVE WORLD'S PROBLEM, BUT THEY HAD TWO OBSERVATIONS:

(1) AGENDA SHOULD NOT BE LIMITED TO ENERGY. ALGERIA NOT AGAINST DISCUSSION OF ENERGY, ALTHOUGH SOME ASPECTS SUCH AS PETRODOLLARS WERE IRRELEVANT TO IT AND PRICE WAS FUNCTION OF SUPPLY AND DEMAND OVER WHICH CONFERENCE
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PAGE 02 ALGIER 00837 02 OF 02 021458Z

WOULD HAVE LITTLE CONTROL. ENERGY WAS ONLY PART OF PROBLEM, HOWEVER. HE AGREED RAW MATERIALS QUESTIONS COMPLICATED, BUT NOT ALL THAT DIFFICULT. AFTER WORLD WAR II USG HAD INSTITUTED MARSHALL PLAN, WHICH HAD BEEN VAST, COOPERATIVE ECONOMIC DEVELOPMENT EFFORT THAT WAS CROWNED WITH SUCCESS. THIS WAS SORT OF PRECEDENT, AND SCALE OF EFFORT NEEDED TODAY. PROBLEM WAS NOT ONE OF COMPLICATION OR SIMPLICITY BUT OF POLITICAL WILL. IF WE ALL HAD THE WILL WE COULD DO IT. ALGERIA HAD NO OBJECTION TO DISCUSSION OF THEIR PROBLEMS IN UN FORUM, WHICH PERHAPS WHERE THEY BELONGED; THEY AGREEABLE TO ANY FORUM.

(2) REPRESENTATION HAD TO BE EXPANDED. TEN STATES DID NOT REPRESENT THE WORLD COMMUNITY. THE GREATEST CONSUMERS WERE MEETING WITH THE GREATEST PRODUCERS (IRAN, SAUDI ARABIA AND VENEZUELA) THIS WAS NOT REPRESENTATION. NON-PRODUCING LDC'S WERE TO BE REPRESENTED BY LARGER

COUNTRIES LIKE BRAZIL, INDIA AND ZAIRE. THIS WAS UNFAIR. WHOLE QUESTION REPRESENTATION HAD TO BE RE-EXAMINED AND CONFERENCE WOULD ACCOMPLISH NOTHING IF THIS NOT DONE.

C. I ASKED WHETHER ABOVE OBSERVATIONS REFERRED TO PREPCON OR FOLLOW-UP MEETING. HE SAID ALGERIANS THOUGHT PARIS MEETING SHOULD BE CONSIDERED AS MEETING OF PREPARATORY "COMMITTEE", NOT CONFERENCE. ITS TASK SHOULD BE TO SETTLE ON AGENDA AND REPRESENTATION AT PREPARATORY CONFERENCE, WHICH WOULD ARRANGE FOLLOW-UP MEETING, EITHER IN FORM PLENARY CONFERENCE OR MEETINGS OF A RANGE OF COMMITTEES CHARGED WITH STUDYING VARIOUS ASPECTS OF PROBLEM.

D. BOUMEDIENE SAID HE DID NOT UNDERSTAND FRENCH POSITION, WHICH WAS THAT NO DOCUMENTS SHOULD BE PREPARED OR SUBMITTED BEFORE APRIL 7 MEETING. HE UNDERSTOOD FROM MINISTER OF INDUSTRY AND ENERGY THAT USG AGREED WITH ALGERIANS AND FAVORED SUBMISSION OF PREPARATORY DOCUMENTS. I REGRETTED THAT I UNINFORMED AS TO USG POSITION THIS REGARD AND SAID WOULD ASK FOR CLARIFICATION.

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PAGE 03 ALGIER 00837 02 OF 02 021458Z

4. COMMENT

A. ARAB-ISRAEL. BOUMEDIENE AT LEAST WORE SYMPATHETIC EXPRESSION WHEN HE TALKED ABOUT NEAR EAST PROBLEM. HE SAID THAT IF PALESTINIANS WERE INVITED TO GENEVA IT WOULD BE VICTORY FOR SECRETARY, AND HE SEEMED CONCERNED THAT LATTER'S POSITION BE SUPPORTED.

B. ROBINSON FOLLOW-UP. BOUMEDIENE SEEMED PLEASED WITH MESSAGE, BUT PUT HIS FINGER ON LNG. IT WILL BE SORE POINT IN OUR RELATIONS IF PENDING LNG CONTRACTS ARE NOT APPROVED BY FPC. ON QUESTION REIMBURSABLE AID, BOUMEDIENE MERELY NODDED AND, GIVEN EARLIER REMARKS BY FOREIGN MINISTRY OFFICIALS ON SUBJECT, DOUBT ALGERIANS WILL BE INTERESTED.

C. PREPCON. BOUMEDIENE SOUNDED VERY REASONABLE, BUT REMAINS TO BE SEEN HOW DELEGATION AT PARIS WILL OPERATE. HIS COMMENTS REGARDING REPRESENTATION AND AGENDA PREDICTABLE, BUT LESS INTRANSIGENT SOUNDING THEN REMARKS MADE TO DONALD MAITLAND OF UK FOREIGN OFFICE BY OTHER OFFICIALS.

D. ATMOSPHERICS. MY CALL REPORTED IN BOTH TV AND PRESS, WITH ARABIC LANGUAGE ASH-SHAAB CARRYING

PICTURES OF ME WITH BOUMEDIENE. PRESS REPORTED I
CARRYING PRESIDENTIAL MESSAGE, OBVIOUSLY HAVING BEEN
TOLD SO BY PRESIDENCY. IN ANY EVENT, FACT OF PUBLICITY
IS FIRST KIND ALGERIAN ACTION TOWARDS US FOR SOME WEEKS
AND WILL IMPROVE ACCESS TO OTHER RESPONSIBLE
OFFICIALS.
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